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No. 587

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1962

MUSKEGON PISTON RING COMPANY,
Petitioner,

vs.

ERNEST R. OLSEN and
NATIONAL PISTON RING COMPANY,
Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

PETER P. PRICE,
Attorney for Petitioner.
Preld Building, 2336 Eastern Ave., S.E.,
Grand Rapids 7, Michigan.

Of Counsel:

ROBERT C. C. HEANEY,
McCOBB & HEANEY,
900 Michigan Trust Building,
Grand Rapids 2, Michigan;

J. ROGER WOLLENBERG,
WILMER, CUTLER & PICKERING,
Transportation Building, 815 17th Street, N.W.,
Washington 6, D.C.;

PRICE & HENEVELD,
Preld Building, 2336 Eastern Ave., S.E.,
Grand Rapids 7, Michigan.

AMERICAN BRIEF AND RECORD COMPANY, FIFTY MARKET AVENUE, N.W.,
GRAND RAPIDS 2, MICHIGAN — PHONE GL 8-5326

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vs.

ERNEST R. OLSEN and
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Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

The petitioner, Muskegon Piston Ring Company, prays that a writ of certiorari issue to the United States Court of Appeals for the Sixth Circuit to review the decision and judgment of that Court in this action.

The order of the District Court for the Western District of Michigan dismissing the complaint, as one not arising under the patent laws, is not officially reported.

The affirmance of the dismissal by the Court of Appeals for the Sixth Circuit (Judge Cecil) is reported at 307 F 2d 85 and constitutes the appendix of this petition.

The judgment of the Court of Appeals was entered August 17, 1962.

JURISDICTION

The jurisdiction of this Court is invoked under Section 1254(1), Title 28 *U. S. C.* The jurisdiction of the District Court is based upon Section 1338 (a) and (b), Title 28 *U. S. C.*

STATEMENT OF QUESTION

Petitioner, holder of a United States patent, sought a Declaratory Judgment, under Section 2201, Title 28 *U. S. C.* that petitioner's assignors and not respondents were the original inventors of the invention covered by the patent, together with injunctive relief to assure peaceable enjoyment of the patent and to forbid related acts of unfair competition by respondents.

The Court below, in a divided opinion, sustained dismissal of petitioner's complaint for want of jurisdiction on the ground that the case did not arise under the patent laws inasmuch as the question of inventorship alone was raised and the respondent had not infringed the patent.

The question presented is:

Where there is an actual and substantial controversy between the parties as to priority of invention — an indispensable statutory element of patent validity, is a patentee foreclosed from obtaining declaratory relief on the ground that the controversy does not involve a federal question arising under the patent laws?

THE STATUTORY PROVISIONS INVOLVED

The following provisions are contained in the Act establishing Judiciary and Judicial Procedure (Act June 25, 1948, c 646; 62 Stat. 931):

Title 28 *U. S. C.* Section 1338 —

> "(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases."
>
> "(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copywright, patent or trademark laws."

Title 28 *U. S. C.*, Section 2201 —

"In a case of actual controversy within its jurisdiction • • • any court of the United States • • • may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought."

The following provisions are contained in the Patent Act of July 19, 1952 (*Public Law* 593, 82d Cong. 2d Sess., Ch 950; 66 Stat. 792):

Title 35 *U. S. C.*, Section 102(f) and (g):

"A person shall be entitled to patent unless • • •

"(f) he did not himself invent the subject matter sought to be patented, or

"(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other."

Title 35 *U. S. C.*, Section 146:

"Any party to an interference dissatisfied with the decision of the board of patent interferences on the question of priority, may have remedy by civil action, if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints or as provided in Section 141 of this title, unless he has appealed to the United States Court of Customs and Patent Appeals, and such appeal is pending or has been decided. In such suits the record in the Patent Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony. The testimony

and exhibits of the record in the Patent Office when admitted shall have the same effect as if originally taken and produced in the suit."

• • •

STATEMENT OF CASE

Petitioner seeks review of the decision of the Court of Appeals for the Sixth Circuit which affirmed the District Court's dismissal of petitioner's complaint on the ground that the District Court lacked jurisdiction. The merits of the complaint have never been tried.

The District Court held that the patent having been conceded to contain invention, there is no denial of validity, only a question of priority of invention based upon alleged fraud and therefore it had no jurisdiction because the question did not arise under the patent laws. (Joint Appendix p. 13a).

The majority of the Court of Appeals held that there being no claim that the patent is invalid for lack of invention and no question of infringement, respondents have no potential claim against petitioner. Therefore, there is no controversy arising under the patent laws which would confer jurisdiction to the District Court.

The dissenting opinion held that the respondent, having asserted that the applicant for petitioner's patent is not the inventor, is asserting the patent's invalidity, and the core of petitioner's complaint is to have the question of validity resolved. Thus, this is a question arising under the patent laws and there being a continuing threat to petitioner's patent, this cause may be properly tried under the Declaratory Judgment Act.

Petitioner is the owner by assignment of United States Patent No. 2,798,779 issued July 9, 1957 covering a certain type of piston ring. Respondent on May 9, 1957 filed an application for a patent Serial No. 658,040, and on or about July 10, 1958 filed an amendment with the Patent Office copying the claims of petitioner's patent and requesting an interference. On October 20, 1958 the interference was instituted at the Patent Office as Interference No. 89,729. This Interference proceeded through the Patent Office to a decision, rendered April 6, 1962, holding that peti-

tioner's assignors were the actual inventors and awarding them priority of invention.[1]

While Interference No. 89,729 was proceeding through the Patent Office, respondent Olsen made repeated public statements disparaging petitioner's patent and threatening petitioner and petitioner's customers for pistons rings made under the patent with liability in large amount for making, buying and using these rings. To settle the issue of inventorship and obtain an injunction against these acts of unfair competition, petitioner filed a complaint for declaratory relief in the District Court. Respondent then filed an action against petitioner at common law for damages in the Circuit Court for Muskegon County, Michigan, and moved in the District Court for dismissal of petitioner's complaint on the ground of lack of jurisdiction. The Circuit Court for Muskegon County, on petitioner's motion, stayed the state court action pending the decision by the District Court on the question of jurisdiction.[2]

Respondent, on July 6, 1962, filed complaint under Section 146, Title 35 *U. S. C.* in the same District Court in which this action was initiated, based upon the matter which had been before the Board of Interferences with allegations parallel in many instances to his complaint in the Circuit Court of Muskegon County, Michigan.[3]

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[1]This decision was brought to the attention of the Court of Appeals during the oral argument on April 10, 1962.

[2]Following the District Court's decision, a pretrial conference has been held but the case has not yet been set for trial on the merits.

[3]Civil action No. 4326 entitled Ernest R. Olsen vs. Allen E. Swartz, Douglas W. Hamm and Muskegon Piston Ring Company. Service of a copy of the Complaint on petitioner was made on July 17, 1962.

REASONS FOR GRANTING THE WRIT

Petitioner is an owner of a United States patent. Petitioner filed a complaint in a federal District Court requesting "the Court to declare that plaintiff's assignors are the original and only inventors of invention disclosed in patent number 2,798,779" (Joint App. p. 3a) and for other relief from acts of unfair competition by respondent which acts are based upon respondent's claim that he, not petitioner's assignors, is the original and only inventor of the patented invention.

The District Court and the Court of Appeals below, by a divided decision, have held that this complaint requesting declaratory relief did not allege a claim cognizable in a federal court. Not only is this decision manifestly erroneous; it constitutes a substantial and significant curtailment of the rights intended by Congress to accrue to the holder of a patent.

The law of this case in its present posture misconstrues the "arising under" jurisdiction of District Courts which not only governs federal jurisdiction in patent cases (28 *U. S. C.* § 1338(a)), but in all "federal question" complaints encompassed under 28 *U. S. C.* § 1331.

The majority of the Court below fell into error in making infringement *an essential element* of a controversy "arising under" the Patent Statute. It, in effect, held that validity *must* be coupled with infringement to create a federal question. Infringement and validity are each separate, independent issues arising under the Patent Act, each independently raising a question giving jurisdiction to the district courts. This is the point of departure between the majority and dissenting opinions. It is the essential point of conflict with other Courts of Appeal, as expressed in *Welch vs. Grindle,* 251 F. 2d 671 (C. A. 9, 1957) and *Talbot vs. Quaker-State Oil Refining Co.,* 104 F. 2d 967 (C. A. 3. 1939).

The findings of the Court of Appeals that "* * * there is no claim that the patent is invalid for lack of invention" (App. 4a) mis-states the issue inasmuch as this is only *one of several* grounds upon which the validity of a patent can be challenged. The statement that "* * * the validity

of plaintiff's patent is not jeopardized'" (App. 4a) is erroneous.

It is settled law that a patent granted on an application of a person other than the inventor is invalid. *John P. Kennedy vs. Hazelton*, 128 U.S. 667 (1888). The dissenting opinion of the court below recognized this (App. 7a) in quoting *Cummings vs. Moore*, 202 F. 2d 145, 147 (C. A. 10, 1953):

> "It is essential to the *validity* of a patent that it be issued upon the application of the one who is the original inventor."

Furthermore, the decision is at sharp variance with the liberality with which this Court, and the federal courts in general, have construed the declaratory judgment procedure. More specifically, the decision conflicts with other decisions in the Courts of Appeals which have recognized the federal jurisdiction attending analogous patent proceedings. The precise question involved has not yet been authoritatively determined by this Court, and if the judgment below is left to stand unchallenged, it will engender confusion and an unauthorized curtailment of jurisdiction in the lower federal courts.

Congress entrusted to the exclusive jurisdiction of the federal courts cases arising under Acts of Congress relating to patents. 28 *U. S. C.* § 1338(a). The significance of the fact that this jurisdiction was exclusive in nature cannot be gainsaid; Congress recognized the peculiarly technical and involved questions attending patent litigation, and determined that the federal courts alone were competent to determine causes of action arising under the patent laws.

The traditional cause of action which protects a patentee from dilution of his federally-granted property right is a suit for infringement against an unauthorized manufacture or use of the patented product. *Tilghman vs. Proctor*, 102 U. S. 707 (1880); *Universal Oil Products Company vs. Globe Oil and Refining Company*, 322 U. S. 471 (1944). Prior to the enactment of the Declaratory Judgment Act, however, the alleged infringer was at substantial disadvantage. Threatened with suit and with loss of customers, he had no coercive action available with which he could

test the validity of the patentee's claim. *Altvater vs. Freeman*, 319 U. S. 359 (1943). The declaratory judgment procedure equalized the competitive posture of patent disputes. The alleged infringer could now sue for a declaration of noninfringement, and for an injunction preventing the patentee from pressing his threatened claim. While recognizing that "the Declaratory Judgment Act has not added to the jurisdiction of the federal courts," *Mississippi Power and Light Co. vs. City of Jackson*, 116 F. 2d 924, 925 (C. A. 5, 1941), cert. den. 312 U. S. 698, the Courts of Appeals recognized that the purpose of the Act was to allow a settlement of disputes before a violation of rights had taken place. *E. g., Treemond vs. Schering Corp.*, 122 F. 2d 702 (C. A. 3, 1941); *Ohio Casualty Ins. Co. vs. Marr*, 98 F. 2d 973 (C. A. 10, 1938); *Mutual Life Ins. Co. vs. Moyle*, 116 F. 2d 434 (C. A. 4, 1940).

Recognizing that the requisite degree of adversity was present to constitute a justiciable controversy, the Courts faced the further question whether declaratory actions brought by potential infringers threatened with suit were causes of action "arising under" the patent laws. The courts, with little variation, looked to the nature of the coercive plaintiff's claim; if it constituted a claim arising under the patent laws, there was federal jurisdiction to hear a declaratory action seeking to dispose of such claim. *E. Edelmann and Co. vs. Triple-A Specialty Co.*, 88 F. 2d 852, 854 (C. A. 7, 1937).

> "But the controversy between the parties as to whether a patent is valid, and whether infringement exists is *in either instance* essentially one arising under the patent laws of the United States." (Emphasis added).

See also *Talbot vs. Quaker-State Oil Refining Co.*, 104 F. 2d 967, 968 (C. A. 3, 1939); *Grip Nut Co. vs. Sharp*, 124 F. 2d 814, 815 (C. A. 7, 1941).

It was further recognized that the alleged infringer need not be actually engaged in manufacture or use of the product in question in order to have standing to bring the declaratory action. It is only necessary that a party threatened by a patent prove a definite *intention* to engage

in the alleged infringement in order to entitle him to declaratory relief. *Crowell vs. Baker Oil Tools, Inc.*, 143 F. 2d 1003 (C. A. 9, 1944).[4]

Petitioner here sought a declaration of the validity of his federally protected patent right. Its allegations that respondent threatened both it and its customers with suit for utilizing the patent conferred on it by federal law constituted a direct threat to its financial health and a marked dilution of its patent rights.

There is no dispute about respondent's interests; he was at the time of suit seeking a declaration of interference between his patent application and petitioner's patent on the ground that he was the inventor of petitioner's patent. His obvious aim was to invalidate petitioner's patent, and to have a similar patent granted to him. Although the cases leave little doubt that respondent, alleging intention to manufacture the piston rings covered by the patent, could have brought an action declaring petitioner's patent unenforceable because granted to one other than the actual inventor, the decision below holds that a federal court is powerless to provide a remedy for petitioner whose conferred right is being positively and presently damaged by respondent's acts.

The courts below did not leave petitioner in this position of impotence because of any doubts as to adversity, or justiciability, of his claim. The District Court expressly stated that "there is no question but what a cause of action is stated" and that "there is a controversy which should be decided." (Joint Appendix, p. 15a). Stated otherwise, there was no question raised by either court below that the parties' proposed conduct was not sufficiently definite to comprise a claim based upon the Declaratory Judgment Act. The sole ground for dismissal relied upon by both courts was that petitioner's claim did not "arise" under the federal patent law.

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[4]As an illustration of the misconception under which the District Judge based his opinion, he assumed that "a charge of infringement is not sufficient to place jurisdiction in the district Court. * * *" (Joint Appendix, p. 16a).

The illogic of this position is obvious. Petitioner, had respondent infringed his patent, could have brought a classic case of infringement which would have arisen under the patent laws. Respondent, without entering into manufacture or use of the product, could have brought a declaratory action adjudicating either his non-infringement of petitioner's patent or its invalidity, either of which also would have arisen under the patent laws. Yet petitioner's complaint to have his patent declared valid against respondent's claims of invalidity — a complaint that concededly stated a cause of action and was justiciable under the Declaratory Judgment Act — is held not to arise under the patent laws.

Prior to the advent of the declaratory judgment device, petitioner concededly could have brought an action for infringement, arising under the patent law, had respondent engaged in the manufacture or use of the piston rings. It seems wholly obvious that the effect and intent of the Declaratory Judgment Act was to allow petitioner to sue for relief before the potential infringement in fact took place, providing that there was a sufficiently definite threat to petitioner's enjoyment of his patent. Surely one suit "arises under" the patent law to the precisely same extent as the other. Both are grounded upon petitioner's claim to a patent granted him under federal law which is being jeopardized by action or a threatened course of conduct.

The importance of this restrictive interpretation of 28 *U. S. C.* § 1338 is readily apparent. Patentees, if this decision is allowed to go unchallenged, are deprived of the exclusive jurisdiction of the federal courts which Congress enacted for the purpose of adjudicating patent questions, at any time prior to that when the party contesting the validity of the patent actually engaged in manufacture, use or sale. Petitioner's business may be destroyed and its patent rendered worthless by respondent's threats of suit, suits and allegations of invalidity based on his claim of invention, yet petitioner cannot receive the aid of a federal court to declare the validity of its federally granted right, on the ground that its claim is not based on the patent law. This issue, arising in an area of exclusive

federal jurisdiction, manifestly merits attention and resolution by this Honorable Court.

Aside from the intrinsic importance of the issue, the decision below is not reconcilable with those cases, cited above, which hold that one who intends to manufacture or use a product allegedly covered by an existing patent may sue for declaratory relief, which arises under the patent law. *E. Edelmann and Co. vs. Triple-A Specialty Co.*, 88 F. 2d 852, 854 (C. A. 7, 1937); *Grip Nut Co. vs. Sharp*, 124 F. 2d 814, 815 (C. A. 7, 1941); *Talbot vs. Quaker-State Oil Refining Co.*, 104 F. 2d 967, 968 (C. A. 3, 1939). The rationale of those cases was that no matter who sues whom, the question is "in either instance essentially one arising under the patent laws of the United States." *E. Edelman & Co. vs. Triple-A Specialty Co.*, 88 F. 2d 852, 854 (C. A. 7, 1937).

The decision below is in direct conflict with the decision of the Ninth Circuit in *Welch vs. Grindle*, 251 F. 2d 671, 678 (C. A. 9, 1957). There, the Court of Appeals stated:

> "The courts have repeatedly held that actual manufacture, use or sale is not essential and that it is sufficient that the party charged is about to infringe *or take some action which is prejudicial to the interest of the patentee* • • •." (Emphasis added).

No more precise statement of the posture of the present case can be made, and yet the Court of Appeals for the Sixth Circuit has held that petitioner's claim is not cognizable under federal law.

The reliance of the Court below on *American Well Works Co. vs. Layne & Bowler Co.*, 241 U.S. 257 (1916) is misplaced. There, a manufacturer sued a patentee for damages arising from the patentee's threats, suits, and slander against the manufacturer's product as being an infringement of the patent. The Supreme Court held that such a claim did not arise under the patent laws, but constituted a state cause of action in tort. This decision, handed down in 1916, *preceded* the Declaratory Judgment Act by nearly twenty years. There is no doubt today that, in similar circumstances, a potential infringer can sue a patentee who threatens suit for a declaration of noninfringement. *E.g. E. Edelmann and Co. vs. Triple-A Specialty Co.*, 88

F. 2d 852, 854 (C. A. 7, 1937). Thus, not only is *American Well Works* inapposite on its facts, since it concerned a suit by an asserted infringer against a patentee, but any implications of the decision as to ripeness of a controversy have been vitiated since the enactment of the Declaratory Judgment Act, as the Courts of Appeals have recognized. Thus, although the holding that a suit for damages in tort does not arise under federal law is unimpaired, there is no doubt today that a federal court may adjudicate the patent rights of parties seeking a declaratory relief in situations factually identical to those in the *American Well Works* case.

The decision, if allowed to stand, can become precedent for a line of decisions restricting the Declaratory Judgment Act which will ultimately have to be corrected by this Court. Delay in correcting the decision can result in great injustice to a large class of future litigants. This decision denies the public access to the Declaratory Judgment Act as a means of challenging the validity of a patent unless they first qualify themselves as infringers. It leaves all patentees without proper legal remedy against those who, without at the same time infringing the patent, attack their rights to the patent on the ground that the patent was not legally issued. It defeats the public purpose of having patent rights determined quickly and in an orderly manner. It ignores "* * * the public interest which is dominant in the patent system." *Mercoid Corporation vs. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1944).

The Court of Appeal's decision forces the patentee to defend his patent piece-meal at the mercy of his adversary. This is the kind of harassment modern jurisprudence is designed to prevent. Here, petitioner is being forced to try the same basic factual issue in (1) the interference proceeding, (2) in the state court suit, and (3) in respondent's suit for *de novo* determination of the interference proceeding under 35 *U. S. C.* 146.

The section 146 action does not in any way lessen the petitioner's exposure to legal harassment nor does it lessen the adverse impact of the Court of Appeal's decision.

The state court action, having been filed long prior to the appeal under section 146, will be tried and de-

cided first, in all reasonable probability, with the distinct possibility of diametrically conflicting decisions on the basic issue. Under such circumstances, the Federal Statutes and decisions create uncertainty as to the District Court's power to interfere with the proceedings in the state court. Thus, petitioner has no place to turn to end the harassment, unless jurisdiction of the federal courts is found in this case.

CONCLUSION

For the reasons stated above, petitioner respectfully requests this Honorable Court to grant the Petition for a Writ of Certiorari to issue to the Court of Appeals for the Sixth Circuit in order to review this important question of federal jurisdiction under the patent laws.

Respectfully submitted,

PETER P. PRICE,
Preld Building,
2336 Eastern Avenue, S. E.,
Grand Rapids 7, Michigan.

Of Counsel:

ROBERT C. C. HEANEY,
McCOBB & HEANEY,
900 Michigan Trust Building,
Grand Rapids 2, Michigan;

J. ROGER WOLLENBERG,
WILMER, CUTLER & PICKERING,
Transportation Bldg., 815 17th Street, N.W.,
Washington 6, D.C.;

PRICE & HENEVELD,
Preld Building, 2336 Eastern Ave., S.E.,
Grand Rapids 7, Michigan.

No. 14645

OPINION OF THE SIXTH CIRCUIT COURT OF APPEALS

(Filed August 17, 1962)

UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

MUSKEGON PISTON RING COMPANY, a Corporation,
Plaintiff-Appellant,
vs.
ERNEST R. OLSEN and NATIONAL PISTON RING COMPANY, a Corporation,
Defendants-Appellees.

APPEAL from the United States District Court for the Western District of Michigan, Southern Division

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Decided August 17, 1962.

Before: CECIL and O'SULLIVAN, Circuit Judges, and BOYD, District Judge.

CECIL, Circuit Judge. This is an appeal from an order of the United States District Court for the Western District of Michigan, Southern Division, dismissing the complaint of the plaintiff-appellant. The complaint was dismissed on the motion of the defendants-appellees for the reason that it did not state a claim upon which relief could be granted (Rule 12 (b) (6) F. R. C. P.), in that it was not an action arising under the patent laws of the United States and the court had no jurisdiction to determine the issues presented. The parties will be referred to as plaintiff and defendants, as they were in the District Court.

We look to the complaint for the facts. The plaintiff is a Michigan corporation, with its principal office in Muskegon county, Michigan, and is the owner of United States patent No. 2798779, issued July 9, 1957, on application

filed April 2, 1956. The defendant Ernest R. Olsen is a resident of Ottawa county, Michigan, and the defendant National Piston Ring Company is a Michigan corporation with its principal office in the Western District of Michigan.

The action is one for a declaratory judgment and is brought under section 2201, Title 28 U. S. C. Jurisdiction is claimed by virtue of sections 102, Title 35 and 1338, Title 28 U. S. C.

On May 9, 1957, the defendant Olsen filed an application, serial No. 658040, in the patent office of the United States for a patent. On or about July 10, 1958, he copied claims 1, 3 and 4 of plaintiff's patent and requested an interference be declared between his application and the patent of the plaintiff. On October 20, 1958, an interference was declared which was still pending in the patent office at the time this appeal was perfected.

It is alleged in the complaint that Olsen, in his application for a patent and in its prosecution, charged that he was the inventor of the disclosure of plaintiff's patent, that its subject matter was disclosed to plaintiff and other piston ring manufacturers prior to the filing date of the application for plaintiff's patent and that plaintiff's assignors wrongfully appropriated such disclosure in making their application for a patent. The plaintiff then denies the truth of these alleged charges or assertions of the defendant.

The plaintiff further alleged that Olsen "engaged in a course of unfair competition with plaintiff consisting of disparagement of plaintiff's right to make and sell piston rings embodying the invention disclosed in plaintiff's patent, libel and slander of plaintiff's title to its patent, threats against plaintiff's customers of liability in large amount for buying and using rings embodying the disclosure of plaintiff's patent, and interference with plaintiff's right to license its patent and otherwise to enjoy the lawful rights and benefits of its patent." The plaintiff also alleged that defendant threatened to sue plaintiff in the common law courts for wrongful appropriation of defendant's claimed invention.

The National Piston Ring Company was named as a defendant for the reason that it had or claimed to have some interest through Olsen and that it joined with him in the course of conduct above described.

If this action is to be maintained in the District Court, the court's jurisdiction must be within the provisions of section 1338(b), Title 28 U. S. C. "The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the . . . patent . . . laws." Subdivision (a) of this section does not give the court jurisdiction as claimed by plaintiff. This gives the court "jurisdiction of any civil action arising under any Act of Congress relating to patents. . . ." No act of Congress is alleged in the complaint as the basis of plaintiff's cause of action. The allegations sound in tort, viz., unfair competition, libel and slander, threats against customers and interference with plaintiff's right to enjoy the benefits of its patent.

Unfair competition, as charged, consists of disparagement of plaintiff's right to make and sell piston rings embodying the invention disclosed in plaintiff's patent. This is not unfair competition as it is generally defined in the federal courts. "It is a fundamental rule applicable to all cases of unfair competition that one man has no right to palm off his goods for sale as the goods of a rival dealer and that he cannot therefore be allowed to use names, letters or other indicia by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another and this principle is applicable although no technical trademark is used by either." *James Heddon's Sons v. Millsite Steel & Wire Works,* 128 F. 2d 6, 9 C. A. 6, cert. denied 317 U. S. 647. See also *Louisville Taxicab & Transfer Co. v. Yellow Cab T. Co.*, 53 F. Supp. 272, 276, decree modified and affirmed 147 F. 2d 407, C. A. 6; *Kellogg Co. v. Nat. Biscuit Co.*, 305 U. S. 111, 122.

Libel and slander, threats against plaintiff's customers and interference with plaintiff's right to enjoy the benefits of its patents, give rise to a cause of action under state law. True, a controversy between the parties is alleged, but whether the plaintiff is entitled to recover must be determined in the state courts. These alleged wrongs do not give rise to a cause of action under the patent laws of the United States. "A suit for damages to business caused by a threat to sue under the patent law is not itself a suit under the patent law. And the same is true when the damage is caused by a statement of fact — that the defendant has a patent which is infringed. What makes the defend-

ants' act a wrong is its manifest tendency to injure the plaintiff's business and the wrong is the same whatever the means by which it is accomplished. But whether it is a wrong or not depends upon the law of the State where the act is done, not upon the patent law, and therefore the suit arises under the law of the State. A suit arises under the law that creates the cause of action. The fact that the justification may involve the validity and infringement of a patent is no more material to the question under what law the suit is brought than it would be in an action of contract." *American Well Works v. Layne*, 241 U. S. 257, 259.

No question of infringement is involved here and there is no claim that the patent is invalid for lack of invention *Tuthill v. Wilsey*, 182 F. 2d 1006, 1008, C. A. 7. The defendants cannot sue for a cancellation of the patent on the ground of prior invention. Only the government can do that. (*Eckert v. Braun*, 155 F. 2d 517, 519, C. A. 7; *United States v. American Bell Tel. Co.*, 128 U. S. 315; *United States v. American Bell Tel. Co.*, 159 U. S. 548; *Briggs v. United Shoe Machinery Co.*, 239 U. S. 48).

The patent having been issued to plaintiff's assignors is presumed to be valid. Section 282, Title 35, U. S. C. The burden of establishing invalidity rests on the defendants, if they assert it (idem). The defendants are in no position to raise that question in the federal courts from the facts as alleged in the complaint. The plaintiff is secure in its patent so far as may be ascertained from the complaint. The validity of plaintiff's patent is not jeopardized, but its business is.

The plaintiff must seek redress for this injury in the courts of the state where the cause of action arises. *American Well Works v. Layne*, supra. Likewise, the defendant Olsen must seek his remedy for the alleged unlawful and fraudulent appropriation of his prior invention in the state court. *Lion Mfg. Corporation v. Chicago Flexible Shaft Co.*, 106 F. 2d 930, 932, C. A. 7; *Papazian v. American Steel & Wire Company of New Jersey*, 155 F. Supp. 111, 117, D. C. N. D. O.

An examination of the function of the Declaratory Judgment Act, Sec. 2201, Title 28 U. S. C., may be appropriate. It did not enlarge the jurisdiction of the courts over subject matter or parties (*Borchard, Declaratory Judgments, Second Edition*, p. 233; *Aralac, Inc. v. Hat Corporation of*

America, 166 F. 2d 286, 291 C. A. 3) or grant to a court jurisdiction which did not otherwise exist. *Davis v. American Foundry Equipment Co.*, 94 F. 2d 441, 443, C. A. 7; *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U. S. 667, 671.

In this case the defendant Olsen was not in position to bring an action against the plaintiff in the federal courts. If he had manufactured the patented article and become an infringer he could have brought a declaratory judgment action against the patentee to have the rights of the parties determined. Similarly, the plaintiff would have had an action for infringement. "Prior to the passage of the Declaratory Judgment Act the patentee was the only one in position to initiate a suit against the alleged infringer or his dealers." *Aralac, Inc. v. Hat Corporation of America*, 166 F. 2d 286, 291 C. A. 3; *Grip Nut Co. v. Sharp*, 124 F. 2d 814, 815 C. A. 7; *Davis v. American Foundry Equipment Co.*, 94 F. 2d 441, C. A. 7.

The purpose of the Act was an "intent to avoid delay and accrual of damages against one uncertain of his rights and to promote an early adjudication of the controversy between the parties without waiting until one of them should see fit to begin suit for coercive relief after damages had accrued." *Davis v. American Foundry Equipment Co.*, above cited, at p. 442; *Edelman and Co. v. Triple-A Specialty Co.*, 88 F. 2d 852, 854, C. A. 7, cert. denied, 300 U. S. 680; *Milwaukee Gas Specialty Co. v. Mercoid Corporation*, 104 F. 2d 589, 591, 592, C. A. 7. Mr. Olsen could have no right of action in federal court against Muskegon for damages by virtue of his application for a patent until a patent was issued to him and no damages would accrue to him prior to the issuance of a patent. *Gayler v. Wilder*, 51 U. S. 476, 4[illegible]2.

It follows that if the defendant Olsen does not have a potential claim against Muskegon, the plaintiff here as a potential defendant, upon which he can sue in the federal court, no controversy under the patent laws exists, upon which Muskegon can bring an action for declaratory judgment in the federal court. Muskegon cannot confer jurisdiction on the court by a declaratory judgment action, if it did not otherwise exist.

It was said in *Gully v. Interstate Natural Gas Co.*, 82 F. 2d 145, 149, C. A. 5, cert. denied, 298 U. S. 688, "When, then, an actual controversy exists, of which, if coercive

relief could be granted in it *the federal courts would have jurisdiction,* they may take jurisdiction under this statute, of the controversy to grant relief of declaration, either before or after the stage of relief by coercion has been reached." (Emphasis added).

We conclude that the cause of action set forth in the complaint did not arise under the patent laws of the United States and that the District Court was therefore without jurisdiction to hear and determine the issues presented.

Judgment affirmed.

O'SULLIVAN, Circuit Judge, dissenting:

The question is whether plaintiff's complaint (its allegations taken as true for the purpose of the motion to dismiss) discloses an actual controversy within the meaning of the Declaratory Judgment Act, § 2201, Title 28, U S. C. A., and a civil cause of action arising under the Patent Laws of the United States, § 1338(a), Title 28, U. S. C. A. I think it does.

The District Judge found that the complaint stated a cause of action and that it alleged a justiciable controversy. The complaint was dismissed, however, because its admitted cause of action and statement of actual justiciable controversy was held not to arise under the Patent Laws of the United States.

The core of the complaint is, as I read it, that defendant charges that plaintiff's patent is invalid. Defendant Olsen says he was the inventor of the disclosure of plaintiff's patent. Such a charge is equivalent to a claim of invalidity. If defendant was the inventor and the original patentee was not, plaintiff's patent is invalid. Section 102(f), Title 35, U. S. C. A., provides that a person will not be entitled to a patent if "he did not, himself, invent the subject matter sought to be patented." No stronger charge of invalidity of a patent could be made than to assert that the applicant therefor was not the inventor.

> "The patent law makes it essential to the validity of a patent, that it shall be granted on the application . . . of the original and first inventor. . . . A patent which is not supported by the oath of *the inventor,* but applied for by one who is not the inventor, is unauthorized by law, *and void. . . .*" *John P. Kennedy v. Hazelton,* 128 U. S. 667, 32 L. Ed. 576, 578.

The position taken by the defendant and that expressed in the opinion of the District Judge is that defendant may assert that he is the true inventor of the patented device without challenging the validity of the patent in question. That position is not tenable.

> "It is essential to the *validity* of a patent that it be issued upon the application of the one who is the original inventor." *Cummings v. Moore*, 202 F. (2) 145, 147 (C. A. 10, 1953).

Respectfully, I submit that the position taken by defendant has led my brothers here to say, ". . . there is no claim that the patent is invalid for lack of invention." Whatever is intended by such observation, the conduct of defendant and his assertion that he, not the applicant for the patent, was the true inventor, clearly charges invalidity of the patent.

Much reliance is placed on *American Well Works v. Layne*, 241 U. S. 257, 259. Aside from the fact that such case is not factually or procedurally identical with the one at bar, we point out that it was decided (1916) prior to the Declaratory Judgment Act (1934). That Act, as construed, has been liberally employed to obtain federal court adjudications of the questions presented in the *American Well Works* case.

> "Prior to the passage of the Federal Declaratory Judgment Act the patentee was the only one in a position to initiate a suit against the alleged infringer or his dealers. An alleged infringer could not sue the patentee for a declaration that the plaintiff was not infringing or that the patent was invalid. Today the alleged infringer, once he is threatened by a patentee, has a remedy by a complaint for a declaratory judgment. Now the controversy between the parties as to whether infringement exists is in either instance essentially one arising under the Patent Laws." *Aralac, Inc. v. Hat Corporation of America*, 166 F. (2) 286, 291, 292, and cases cited.

In *Grip Nut Co. v. Sharp*, 124 F. (2) 814, 815 (C. A. 7, 1941), the 7th Circuit said:

> "Now . . . the controversy between the parties as to whether a *patent is valid*, and whether infringement

exists is in *either instance* essentially one arising under the Patent Laws of the United States."

If one threatened with a charge of infringement may, by employment of the Declaratory Judgment Act, test the validity of a patent, I see no reason why the owner of a patent which is charged with invalidity should not make equal use of such remedy. See *Talbot v. Quaker State Oil Refining Co.*, 104 F. (2) 967, 968 (C. A. 3, 1939).

The thrust of plaintiff's complaint, admittedly disclosing a justiciable controversy, is to have resolved the question of the validity of the patent. The complaint avers that it relies on Section 102, Title 35, U. S. C. A. (Patent Statute) for its invoking the remedy provided by the Declaratory Judgment Act. Its prayer for relief asks in substance, that the conflicting claims as to the validity of its patent be resolved. Defendant's motion admits that he claims that he invented the disclosure of plaintiff's patent (thereby charging invalidity); that he is disparaging plaintiff's patent and that he is threatening plaintiff's customers with liability in large amounts if they continue using rings embodying plaintiff's patent, and he threatens to sue plaintiff at common law. He asserts, however, that the matter is not ripe for decision because defendants are not manufacturing any piston rings now, and "do not contemplate doing so *until the patent issue is resolved.*" It is my opinion that plaintiff's complaint discloses a justiciable controversy in which "the patent issue" can be resolved and that the cause of action arises out of the Patent Laws.

My brothers' opinion in this case sets forth one of the purposes of the Declaratory Judgment Act, in quoting from *Davis v. American Foundry Equipment Co.*, 94 F. (2) 441 (C. A. 7, 1938), which says that the purpose of the Act was the "intent to avoid delay and accrual of damages against one uncertain of his rights and to promote an early adjudication of the controversy between the parties without waiting until one of them should see fit to begin suit for coercive relief after damages had accrued."

In my opinion, the plaintiff is put in jeopardy whether it is exposed to suit for damages in the State Courts or in the Federal Courts That Muskegon has been placed in jeopardy by the claims of Olsen is shown by the fact that Olsen has already commenced action for damages in the State Court of Muskegon County, claiming damages against Muskegon for appropriating the invention disclosed to

Muskegon's assignor. I recognize that until a patent for his claimed invention is obtained, Olsen could not bring an action for infringement. However, Olsen claims that Muskegon is using his invention in breach of a confidential disclosure allegedly made by Olsen to Muskegon's assignor. It has been held that, under such circumstances, Olsen could bring an action for damages for breach of confidential disclosure and in such action make Muskegon liable for profits and damages resulting from such use of the invention, not under the patent statutes, but upon the principle that equity will not permit one to unjustly enrich himself at the expense of another. *Hoeltke v. Kemp Mfg. Co.*, 80 F. (2) 912, 922-923 (C. A. 4, 1936).

Any damages which Muskegon may become liable to pay to Olsen for a breach of confidential disclosure will continue to accrue with the passage of time. Thus, delay in adjudicating the validity of Muskegon's patent will cause the threat to Muskegon to become greater rather than to diminish it. It is to avoid such consequences that the Declaratory Judgment Act permits a speedy determination of the rights of the parties. Because of the increased jeopardy in which Muskegon will be placed if the dispute here is not quickly resolved. Muskegon is entitled to employ the declaratory judgment remedy.

I would reverse the order granting defendant's motion to dismiss.

JUDGMENT

August 17, 1962

Before: Cecil, O'Sullivan, Circuit Judges, and Boyd, District Judge.

APPEAL from the United States District Court for the Western District of Michigan.

THIS CAUSE came on to be heard on the transcript of the record from the United States District Court for the Western District of Michigan, and was argued by counsel.

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court that the judgment of the said District Court in this cause be and the same is hereby affirmed.

Approved for entry:

Lester L. Cecil,
United States Circuit Judge.

Office Supreme Court, U.S.
FILED
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JOHN F. DAVIS, CLERK

No. 587

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1962

MUSKEGON PISTON RING COMPANY,
Petitioner,
vs.
ERNEST R. OLSEN and
NATIONAL PISTON RING COMPANY,
Respondents.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

HAROLD M. STREET,
Attorney of Record for Respondents,
Business Address:
304 Liberty Life Building,
Muskegon, Michigan.

POPPEN, STREET & SORENSEN,
Attorneys for Respondents,
Business Address:
304 Liberty Life Building,
Muskegon, Michigan.

OLSEN & FARMER,
Attorneys for Respondents,
Business Address:
305 Michigan Theatre Building,
Muskegon, Michigan.

AMERICAN BRIEF AND RECORD COMPANY, FIFTY MARKET AVENUE, N.W.
GRAND RAPIDS 2, MICHIGAN — PHONE GI 8-5526

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STATEMENT OF QUESTION

DOES A COMPLAINT ALLEGING THAT A DEFENDANT (WHO IS NOT MANUFACTURING OR SELLING PISTON RINGS) CLAIMS THAT THE PLAINTIFF'S ASSIGNOR WRONGFULLY APPROPRIATED DEFENDANT'S DISCLOSURE OF THE SUBJECT MATTER OF A PATENT UNDER WHICH THE PLAINTIFF IS MANUFACTURING REVERSE TORSION-TWIST PISTON RINGS, ALLEGE AN ACTUAL CONTROVERSY ARISING UNDER THE PATENT LAW?

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STATEMENT OF CASE

Respondents' statement of the case is necessarily a negative one. The most conspicuous thing about the petitioner's Complaint is the absence of essential allegations. For example, it is not alleged that the defendants (respondents herein) are engaged in the manufacture of piston rings or are engaged in any other business in competition with the petitioner. It is difficult to see how respondents could be guilty of *unfair* competition when there is no competition.

Equally significant, the Complaint does not allege that respondents are infringing plaintiff's alleged patent or that respondents threaten to infringe the patent. The nub of the Complaint is contained in allegations to the effect that defendant Olsen asserts "he is the inventor of the *disclosure* of plaintiff's patent, that the subject matter of plaintiff's patent was *disclosed* to plaintiff • • • prior to

the filing date of the application for plaintiff's patent, and that plaintiff's assignor *wrongfully appropriated said disclosure* * * *". (Par. 6 of Complaint). The Complaint contains a prayer that the court "declare that plaintiff and plaintiff's assignor *did not appropriate any disclosure* from defendant Olsen * * *."

Nowhere in the Complaint is it alleged that defendants claim the patent is invalid or that defendants in any way question the validity of the patent. It is clear that the crux of the controversy between the parties is the *equitable ownership* of the patent.

If, as petitioner contends, a claim by one other than the patentee that he originated the idea and that the patentee holds the patent as trustee ex maleficio necessarily puts the validity of the patent at issue so as to give the Federal Courts jurisdiction, then the many State court decisions declaring patentees to be trustees ex maleficio are erroneous and must be overruled; for by statute (Title 28 *U. S. C.*, Sec. 1338 (a)) the Federal court's jurisdiction is "*exclusive* of the courts of the states in patent and copyright cases."

Furthermore, if petitioner's position is correct, one who has wrongfully obtained a patent through use of confidential information can, for all practical purposes, immunize himself from a suit for damages or a suit in which he might be declared trustee ex maleficio, by the simple expedient of bringing a declaratory proceeding in Federal court; then if the defendant succeeds in proving that he did, in fact, make the invention, the Court would simply declare the patent invalid and the true inventor would be deprived both of damages and the fruits of the invention. To state the proposition is to refute it.

REASONS WRIT SHOULD BE DENIED

Priority of Conception vs. Priority of Invention

The difficulty in this case arises, in part, from confusion in terminology. Conception of a patentable idea and invention are treated as one and the same by petitioner. They are not.

Under Section (g) of Title 35 *U. S. C.*, Sec. 102, three elements are considered in determining "priority of *invention,*" which are:

(1) The "*respective* dates of conception."

(2) "Reduction to practice."

(3) "Diligence of one who was first to conceive and last to reduce to practice."

Thus, if "A" conceives an original idea which he discloses to "B," but fails to reduce to practice, and "B" reduces the original idea to practice and is diligent in applying for a patent, "B" may be the legal inventor though he was not the first to conceive the idea. "B" may also be the legal inventor even though "A" first conceived the original idea and reduced it to practice, if after disclosing both the idea and its practical operation to "B," "A" neglects to take any steps whatever to apply for a patent and "B" is diligent in doing so. The patent issued under such circumstances is a legally valid patent.

However, if a fiduciary relationship existed between "A" and "B," which "B" violated in applying for the patent in his name, "A" may be the equitable owner thereof and entitled to the fruits of the invention. "B" will be treated as the constructive agent of "A" in applying for the patent and will be deemed a trustee ex maleficio, holding the patent for the benefit of "A."

Confusion with Cases Involving Different Factual Situations

Care must be taken to avoid confusion with cases involving the following factual situations:

(1) Cases where diversity of citizenship exists. Frequently, where diversity of citizenship exists but is not discussed by the court, it appears that the court has taken jurisdiction in a factual situation similar to the one presented in the present case where jurisdiction is, in fact, predicated upon diversity of citizenship.

(2) Cases based upon a claim of unfair competition when joined with a substantial and related claim under the patent law. Though unfair competition is alleged in

the present case, it is not alleged that respondent is engaged in any business in competition with the petitioner. With no allegation that any competition exists between the parties, it is obvious that the claim of unfair competition cannot stand.

(3) Cases where infringement is actually claimed. There is no claim in the present case that the defendant is infringing or is even threatening to infringe the patent held by petitioner.

(4) Situations where "A" and "B" claim under conflicting patents and the validity of one or both of the patents, in the sense of the *scope* of one or both of the respective patents, is at issue.

(5) Situations where "A" (as plaintiff in the case) holds a patent and is threatening "B" with suits for infringement and "*B*" asks for declaratory relief on one or more grounds such as invalidity of the patent for a lack of novelty of idea, prior public usage, or that "A" is not the true inventor.

If the above distinctions in the various factual situations presented are kept in mind, the apparent confusion in the decisions disappears.

Petitioner seeks to bolster its position by matters which have occurred *subsequent* to the filing of the complaint. Petitioner refers to the subsequently filed suit in Muskegon County, Michigan (wherein respondent asks for damages and that petitioner be decreed trustee ex maleficio of the patent), but does not contend that that Court lacks jurisdiction. Petitioner makes much of the fact that the interference proceeding was subsequently decided in its favor and that respondent has taken what amounts to an appeal from the ruling of the Patent Interference Board by filing a complaint under Section 146, Title 35 *U. S. C.* in the District Court in Grand Rapids, Michigan.

Respondents will unequivocally state at this point that if the Federal District Court in Grand Rapids, Michigan, had jurisdiction to adjudicate the question of whether "the subject matter of plaintiff's patent was disclosed to plaintiff * * * prior to the filing date of the application for plaintiff's patent," and that "plaintiff's assignor wrongfully appropriated said disclosure in making their application for plaintiff's patent" (See par. 6 of com-

plaint) and declare plaintiff's trustee ex maleficio of the patent, respondents would be only too happy to join issue in the Federal District Court in Grand Rapids, and dispose of the matter in one proceeding. Unfortunately, the issues triable in the complaint filed under Sec. 126, Title 35 *U. S. C.* (which is in effect an appeal from the ruling of the Patent Interference Board) will be confined to determining the priority of invention in the sense of determining (1) the respective dates of conception of the idea for the reverse torsion twist piston ring, (2) the reduction to practice of the invention, and (3) the diligence of the respective parties in applying for a patent. In short, respondent may prove that he first conceived the idea of the reverse torsion-twist ring and even that he reduced it to practice, and yet lose out on the diligence issue; for the question of the wrongful appropriation of respondent's original idea is triable exclusively in a state court (where diversity of citizenship does not exist between the parties). This is well settled by a long line of cases including the following:

Harrington vs. Atl. & Pac. Tel. Co., 185 Fed. 493, holding that when title to a patent depends upon grants alleged to be fraudulently obtained or retained, the Federal Court did not have jurisdiction.

Lion Mfg. Corp. vs. Chicago Flexible Shaft Co., 106 F. 2d 930, holding that a bill alleging equitable ownership of a patent did not state a cause of action arising under the patent law, since it depended upon an assignment of the legal title.

Eckert vs. Braun, 155 F. 2d 517, holding that allegations to the effect that defendants had wrongfully obtained designs, drawings, etc. from plaintiff's deceased husband and wrongfully obtained patents thereon, did not state a cause of action arising under the patent law.

Papazian vs. Amer. Steel & Wire Co., 155 F. Supp. 111, holding that a plaintiff claiming equitable ownership of a patent must first establish his claim in a court of competent jurisdiction (state court in the absence of diversity of citizenship) before a federal court has jurisdiction of a claim of infringement.

The court said in *A & C Engineering Co. vs. Atherholt*, 355 Mich. 677, page 682, that:

> "There is nothing in the bill of complaint to suggest that the instant case is one based upon a right derived from the federal patent laws. Rather it appears to be a common-law equity action to determine ownership of a patent and involves the federal patent laws only obliquely and incidentally. Under the above-quoted rule such an action is treated no differently, in regard to jurisdiction, than an action to determine the ownership of any other kind of personal property. Therefore the trial court (state court) properly took jurisdiction of the cause."

The same result was reached in *L. A. Young Spring & Wire Corp. vs. Falls*, 293 Mich. 602, where a corporation brought suit to have the defendant declared trustee ex maleficio of certain patents. The court said, page 612:

> "Primarily, plaintiff alleges that defendants, in breach of their confidential relation as trusted officers and employees of plaintiff, failed to discharge the 'trust relationships so owed to plaintiff corporation,' and 'fraudulently, maliciously and intentionally conspired, confederated, combined and contrived among themselves and divers other persons, * * * to deprive plaintiff corporation from obtaining the designs, constructions, inventions, patent applications and patents and trade secrets conceived, produced, constructed, designed and/or developed and discovered by them and said trusted employees.' The essence of plaintiff's bill of complaint is that, through their confidential relationship to plaintiff corporation, certain of the individual defendants secured information which, in breach of their fiduciary relationship, they used for their own personal advantage and in violation of the trust. When the right asserted in the bill of complaint is founded upon a confidential relationship involving the highest trust and confidence, the undoubted jurisdiction of the State courts is not divested because, as a necessary step to granting relief, the State court must determine priority of inventiveness." Citing cases.

See also *Nahikian vs. Mattingly*, 265 Mich. 128, and the annotation in 167 *A. L. R.* 1114.

Analysis of Cases Relied Upon by Petitioner

Petitioner relies upon *Kennedy vs. Hazelton*, 128 U. S. 667. Petitioner's confidence in Kennedy is misplaced, for that case (at least insofar as it bore on the issue involved here), has been overruled by *Becher vs. Contoure Laboratories*, 279 U. S. 388 (1929) cited in 167 *A. L. R.* 1147. In the Becher case, the defendant had successfully sued in the New York State Court to have the plaintiff decreed a trustee ex maleficio of the patent the plaintiff had obtained through use of information obtained in a confidential capacity. The plaintiff then promptly started suit in federal court charging infringement and inferentially challenging the jurisdiction of the state court, claiming jurisdiction on both the ground of infringement and on the ground that validity of the patent was involved. The Court held the New York State Court decision to be res judicata. As to the claim that the validity of the patent was involved and jurisdiction, therefore, exclusively in the Federal Court, the Court said:

> "It is plain that that suit had for its cause of action the breach of a contract or wrongful disregard of confidential relations, both matters independent of the patent law, and that the subject matter of Oppenheimer's claim was an undisclosed intention which did not need a patent to protect it from disclosure by breach of trust. * * * It is said that to establish Oppenheimer's claim is to invalidate Becher's patent, but, even if mistakenly, the attempt was not to invalidate the patent but to get an assignment of it, and an assignment was decreed. * * * Again, even if the logical conclusion from the establishing of Oppenheimer's claim is that Becher's patent is void, that is not the effect of the judgment."

The following comments relative to the Becher case appear in the annotation in 167 *A. L. R.*, page 1148:

> "What this seems to come down to is that the State Court's jurisdiction to require the assignment of an

invention, as in equity the property of the plaintiff, is not affected by the fact that its judgment requiring an assignment establishes circumstances which collaterally impeach the patent as having been issued to one who is not the inventor; and that the question whether the State Court should decree the assignment of the patent itself as a muniment of title, when its very decision will inferentially declare the patent to be void, is not a question of jurisdiction.

"The Becher case is said to have overruled *Kennedy v. Hazelton* (1888), 128 U. S. 667, 32 L. ed. 576, 9 S. Ct. 202; See *Cohen v. Bunin* (1944), 183 Misc. 90, 47 N. Y. S. 2d 414 (affirmed without opinion in (1946) 270 App. Div. 929, 62 N. Y. S. 2d 870), where the court states the decision in the Becher Case to have been 'that a plaintiff having a right to an invention or patent may proceed in the state court to compel an assignment of the patent despite the fact that the evidence establishing the plaintiff's right would establish the invalidity of the patent if that were the issue and if the forum were one vested with jurisdiction over that issue.' "

Most of the cases relied upon by petitioner are directly the reverse of the factual situation presented in the present case. In most instances, the party applying for declaratory relief is being threatened with infringement suits by a party *holding a patent of record*, and either actual infringement was claimed or what would be infringement, if the patent proved valid, immediately contemplated. The cases cited by petitioner would be in point if respondent, Olsen, held the patent of record and was threatening the petitioner (who is the only party engaged in the actual manufacture of piston rings) with suits for infringement. Then petitioner would then be entitled to declaratory relief. But this is not the factual situation presented in the present case.

For example, in *E. Edelmann and Co. vs. Triple-A Specialty Co.*, 88 F. 2d 852, relied upon by petitioner, the *defendant* claimed the *plaintiff* was infringing its patent. The plaintiff asked for a declaratory judgment as to the

validity of the defendant's patent and a ruling on the question of infringement. The issue turned upon the *scope* of defendant's patent. The Court held there was no infringement because the scope of defendant's patent was narrower than claimed by defendant. Validity of the patent was involved only in the sense of the *scope* of its coverage.

Petitioner conveniently overlooks the language in the case of *Grip Nut Co. vs. Sharp*, 124 F. 2d 814, appearing on page 815, which reads as follows:

> "To be sure, if the issue were merely one of title to the patent or the existence of a license, the State court would be the correct forum for these two Illinois parties to settle their dispute. * * *"

In *Crowell vs. Baker Oil Tools, Inc.*, 143 F. 2d 1003, the *defendant* held a patent on a cementing device for well casings. The plaintiff manufactured and sold a similar device which the *defendant* claimed infringed its patent. The defendant had brought one suit for infringement which had been dismissed, without prejudice, after the plaintiff had prepared for trial. Plaintiff understandably sought declaratory relief, challenging the validity of defendant's patent "for lack of novelty and lack of invention," which claim the court sustained. If the respondent were manufacturing and selling reverse torsion-twist piston rings in the present case, and was being threatened with suits for infringement by petitioner, respondent would have some standing to ask for declaratory relief on the authority of the Crowell case *if the relief sought were confined to validity of the patent;* but since respondent is not manufacturing or selling such piston rings and is not being threatened with suits for infringement, the respondent has no actual case or controversy to present to the court which can be said to arise under the patent law.

Again, in *Cummings vs. Moore*, 202 F. 2d 145, it was the *defendant* who held the patent and was claiming infringement by the plaintiff. In the Cummings case, it was originally claimed that the defendant, a former employee of the plaintiff, had misappropriated plaintiff's idea and obtained a patent thereon and asked that the plaintiff be

decreed the lawful owner of the patent; that defendant be required to convey and assign the patent, and that defendant be enjoined from manufacturing the particular product involved. At the pre-trial conference, the plaintiff (perhaps feeling insecure on the jurisdictional issue) abandoned the claim of misappropriation and sought a declaratory judgment of non-infringement on the ground that the defendant was not the original inventor. The apparent purpose of the present proceeding is to force the respondent to make a similar election in this case, an election which respondent may not be required to make.

Cummings was actively engaged in the manufacture and sale of the brush upon which the patent was claimed. Cummings apparently accomplished his purpose by having the patent declared invalid and thus obviating further threats of suits for infringement. The respondent in this case is not manufacturing piston rings and would gain nothing by having the patent declared invalid.

A similar situation was presented in *Welch vs. Grindle*, 251 F. 2d 671. The plaintiff, Grindle, had designed a dip stick used by airplanes which he disclosed to the defendant, Welch. Welch (who bore no fiduciary relationship to Grindle), later obtained a patent on what the court ultimately held to be substantially the same dip stick. He was then threatened by Welch with suits for infringement. Grindle asked that the patent either be declared invalid or assigned to him. The court did declare the patent invalid on a number of grounds, but refused assignment to Grindle (which the court had no jurisdiction to do). Though the court did observe on page 674, that "if the patent and suit is invalid and void because it was not filed by the true inventor, we need go no further *on the issue of invalidity*," the court took considerable pains to go on and point out that the patent was invalid in any event by reason of prior public use as well as lack of originality. Again, the strategy of petitioner in this proceeding becomes more apparent. If the petitioner can force the respondent to litigate in a court that has no jurisdiction to pass upon his claim that his original idea was misappropriated and that he is the rightful owner of the patent (as a State court

has an undoubted right to do) then petitioner stands a fair chance to successfully reap the fruits of the misappropriation.

Analogous Cases

Respondents are in precisely the same position as was the plaintiff in *Eckert vs. Braun*, supra. In the Braun case, the plaintiff sought to have the holder of a patent declared trustee ex maleficio on the ground that he had wrongfully obtained certain designs and drawings from her deceased husband, claiming jurisdiction on the theory that the case arose under the patent laws. The plaintiff brought the proceeding under the declaratory judgment act. Dismissal of the complaint on motion was sustained by the Circuit Court of Appeals for the Second Circuit, saying:

> "We think the District Court was clearly right. The gravamen of plaintiff's charge is that defendant perpetrated a fraud upon her and she seeks to prevent his use of the fruits of the fraud and to have them vested in her. The mere fact that she asks that on account of the fraud the patent be invalidated in the hands of defendant does not bring it within the jurisdiction of the federal court."
>
> "* * * The cases are uniform in holding that 'where, in advance of the granting of a patent, an invention is disclosed to one who, in breach of the confidence thus reposed, manufactures and sells articles embodying the invention, such person shall be held liable for the profits and damages resulting therefrom, *not under the patent statutes*, but upon the principle that equity will not permit one to unjustly enrich himself at the expense of another,' Hoeltke v. Kemp Mfg. Co., 4 Cir., 80 F. 2d 912, 923, Chesapeake & O. R. Co. v. Kaltenbach, 4 Cir., 95 F. 2d 801, Saco-Lowell Shops v. Reynolds, 4 Cir., 141 F. 2d 587. Moreover, *after a patent has issued* upon fraudulent misrepresentations *there is no procedure* for voiding or cancelling the same *except a proceeding by the United States*, United States v. American Bell Tel. Co., 128 U. S. 315, 9 S. Ct. 90, 32 L. Ed. 450, United States v. Amer-

ican Bell Tel. Co., 159 U. S. 548, 16 S. Ct. 69, 40 L. ed. 255, Briggs v. United Shoe Machinery Co., 239 U. S. 48, 36 S. Ct. 6, 60 L. Ed. 138."

The case of *New Discoveries, Inc. vs. Wisconsin Alumni Research Foundation*, 13 F. Supp. 596, presented a stronger factual situation in favor of Federal jurisdiction than does the present case. At least both of the parties held patents and the dispute related to the scope of the respective patents. The similarity of facts and issues involved appear in the following portions of the opinion:

> "The complaint, after the formal allegations as to the residence and incorporation of the parties, alleges that the plaintiff and the defendant are the owners of patents relating to the process of producing Vitamin D; that the plaintiff is now engaged in the business of selling and merchandising licenses for the manufacture and use of its process for the production of Vitamin D under its patents, and that the defendant has contended, and does now contend that the use of the processes as defined in plaintiff's patents constitutes an infringement upon the rights of the defendant by reason of its ownership of its two patents; that the defendant has continually stated, and does now state to the plaintiff and other persons that if any of the processes described in plaintiff's patents were used by plaintiff or its licensees, they would infringe upon defendant's patents; that the defendant has stated, orally and by letter, to various persons who had become licensees of the plaintiff, that in the event that such persons used the processes claimed and described in plaintiff's patents, they would be liable for damages to defendant for infringement of its patents; and that proceedings would be taken against them * * *."
>
> * * *
>
> "The prayer of the complaint is that the court declare the rights of the plaintiff and the defendant herein, and their legal relations in connection with the subject-matter of the controversy as between plaintiff

and defendant; that defendant's two patents be declared invalid by the court; and that the defendant be restrained from in any way interfering with the plaintiff's right to sell and merchandise licenses for the manufacture and use of the process of producing Vitamin D by sunlight or ultraviolet rays, from publishing, informing, or claiming that the plaintiff, by selling and merchandising licenses for the use of said processes, is in any way infringing upon defendant's patents, and from interfering with any proposed licensees of the plaintiff."

The Court went on to say:

"The bill of complaint fails to allege any infringement of plaintiff's patents by the defendant. It does not state a cause of action of unfair competition. There is no allegation that the parties are in competition in business, or that the patents are being used by either of the parties. Inasmuch as the parties are not competing with one another, there can be no unfair competition."

* * *

"It is necessary, at the outset, to determine if the complaint alleges that there is an actual controversy existing between the parties. The insertion of the word 'actual' in the statute means that the court is to deal with realities, and not with an imaginary set of facts. The complaint contains no allegation that plaintiff, or its alleged licensees, are in fact using the processes described in the plaintiff's patents. There is no allegation that anyone is infringing defendant's patents. It follows that there is no one now in existence whom defendant could prosecute an infringing action against. *In the absence of infringement actually existing, there can be no actual controversy between the parties.* * * *"

* * *

"The fact that defendant may have notified plaintiff or others that the use of plaintiff's processes

would constitute an infringement of defendant's patents does not give rise to an actual controversy. Notice to a competitor that he is infringing is the usual and ordinary procedure followed by patentees, and is not to be condemned when characterized by good faith. *Oil Conservation Engineering Co. v. Brooks Engineering Co.*, (C. C. A. 52 F. (2d) 783)."

"What the plaintiff seeks in this action is to have the court declare that the plaintiff and its licensees would have a good defense if and when the defendant commenced an infringement action against it, which defendant may or may not do. * * *".

"Actions for declaratory judgments are in the nature of a summary action, * * * The question of how plaintiff or its licensees might use the processes described in its patents, without infringement of defendant's patents, would involve the determination of the validity of four patents; the complicated questions of the interpretations of the specifications of each patent, and the scope of the claims. This could be determined only after a lengthy trial involving large expenditures for the fees of expert witnesses and counsel. * * * The mere fact that the plaintiff expects the defendant to bring an infringement action against it or its licensees does not entitle the plaintiff to maintain its present action to have declared that defendant has not a good cause of action against plaintiff or its licensees. The complaint reveals no actual controversy ripe for adjudication."

While it is true (as the lower court observed) there is an actual controversy between the parties, the controversy arises because the defendant, Olsen, claims that he is the equitable owner of the patent by reason of the fact that his idea and invention was misappropriated by the plaintiff. This issue is one exclusively for determination by the state courts.

CONCLUSION

Jurisdiction cannot be conferred either by stipulation or waiver. Regardless of how desirable it might be in this particular case to resolve all issues in one proceeding, the cold fact still remains — the Federal District Court lacks jurisdiction to resolve the basic issue.

Dated: November 26, 1962.

Respectfully submitted,

HAROLD M. STREET,
Attorney of Record for Respondents.
Business Address:
304 Liberty Life Building,
Muskegon, Michigan.

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No. 587.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1962

MUSKEGON PISTON RING COMPANY,
Petitioner,

vs.

ERNEST R. OLSEN and
NATIONAL PISTON RING COMPANY,
Respondents.

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

PETER P. PRICE,
Attorney for Petitioner
Preld Building, 2336 Eastern Ave., S.E.,
Grand Rapids 7, Michigan

Of Counsel:

ROBERT C. C. HEANEY,
McCOBB & HEANEY,
900 Michigan Trust Building,
Grand Rapids 2, Michigan;

J. ROGER WOLLENBERG,
WILMER, CUTLER & PICKERING,
Transportation Building, 815 17th Street, N.W.
Washington 6, D.C.;

PRICE & HENEVELD,
Preld Building, 2336 Eastern Ave., S.E.,
Grand Rapids 7, Michigan.

AMERICAN BRIEF AND RECORD COMPANY, FIFTY MARKET AVENUE, N.W.
GRAND RAPIDS 2, MICHIGAN — PHONE GL 8-5326

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STATEMENT OF QUESTIONS

As presented by Petitioner:

> Where there is an actual and substantial controversy between the parties as to priority of invention — an indispensable statutory element of patent validity, is a patentee foreclosed from obtaining declaratory relief on the ground that the controversy does not involve a federal question arising under the patent laws?

As presented by Respondents:

> Does a complaint alleging that a defendant (who is not manufacturing or selling piston rings) claims that the plaintiff's assignor wrongfully appropriated defendant's disclosure of the subject matter of a patent under which the plaintiff is manufacturing reverse torsion-twist piston rings, allege an actual controversy arising under the patent law?

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More than a half century ago, Dean Roscoe Pound addressed the American Bar Association in a speech entitled "The Causes of Popular Dissatisfaction With the Administration of Justice." He pointed out the frequency with which jurisdictional disputes between the federal and the state courts have arisen. The American Judicature Society reprinted this speech in August, 1962, to point out the fact that this problem is as commonplace today as it was at the turn of the century.

In his article, Dean Pound concluded "It ought to be impossible for a cause to fail because brought in the wrong place." Despite the efforts to modernize federal procedure during this half century by revision of the judicial code in 1948, the adoption of the Declaratory Judgment Act and the adoption of the Federal Rules of Procedure, this Court is confronted in this case with at least three sharp attacks upon federal jurisdiction.

Respondent's brief asserts: (1) the federal courts cannot entertain a suit for a declaration of the validity or in-

validity of a patent based upon priority of invention against one who claims to be the first inventor; (2) that there is not a justiciable controversy under the Declaratory Judgment Act unless there is a violation of the patent by infringement; and (3) that the federal courts, even in a case involving a question under the patent laws, do not have jurisdiction to determine common law questions of alleged violation of confidential disclosures, in spite of the mandatory counterclaim requirements of Federal Rules of Civil Procedure, Rule 13(1).

That there should be room for such broad attacks on federal jurisdiction, supported by the array of cases and statutes listed on page i of respondent's brief, and that the Court of Appeals should have the depth of disagreement reflected in their opinion, are strong and cogent reasons why this Court should decide and clarify the principles relating to jurisdiction of cases arising under the patent laws, the Declaratory Judgment Act and the Rules of Civil Procedure. Without such an authoritative decision, there will continue to be grave doubt in the trial courts and in the profession concerning the scope of federal jurisdiction. Such doubts cannot help but continue to undermine the confidence of the public in our judicial system. The lack of acceptance of self-discipline in this area by the profession, without incisive correction by the courts, leads to a proliferation of cases over fine-split interpretations of jurisdiction.

Respondent's brief is a persuasive, although negative, argument pointing to the necessity of clarification by this Court. This case is one particularly fitting for consideration by this Court. The issue presented is fundamental, for it unlies the power of the federal courts to decide a case arising under a federal statute even though the facts of the case are capable of being used to frame a cause which would arise under the common law jurisdiction of the state courts. At stake is the right of the plaintiff to state a cause of action arising under a federal statute and to have security in the knowledge that he will be accorded his day in court on the merits of his cause without fearing the expense and risk of being shuttled back and forth between the state and federal courts on delicate and obscure points of procedure worthy only of the early evolutionary stages of the common law.

This case is a worthy vehicle for this Court to clarify this confusion in jurisdiction. It involves a pure question of procedure, uncomplicated by substantive overtones which so often obscure issues of this type. It is one of those rare opportunities in which a significant contribution can be made to the modernization of procedure.

Respondent's brief confuses the basic issue of whether this is a *case arising under* a federal statute or a case involving a *question arising under* a federal statute. The complaint determines this under our dual system of judicial powers. The answer to the complaint cannot change the essential character of the action since this is established and fixed by the cause of action initially pleaded.

In this matter, petitioner's basic cause of action arises out of the fact that petitioner's patent right has been challenged as void because not granted to the original inventor and petitioner has asked that the Court *determine the validity* of petitioner's patent. *No question of title or trusteeship arising out of misappropriation of inventorship is raised by the complaint.* Only the question of validity is raised.

The numerous authorities cited by respondent in support of his position are irrelevant to this case. All of the authorities cited on pages 6, 7 and 8 of respondent's brief, including the case of *Becker vs. Contour Laboratories*, 279 U. S. 388 (1929), are cases in which the complaint or initial pleading set forth *a cause of action* based on *title* to the patent or on the *declaration of a trusteeship* arising out of misappropriation. The complaint in this case does not plead such a cause of action. The circumstance that certain facts may be common to causes of action of both types *does not change the essential character of the type of case initially pleaded.*

Respondent's arguments on pages 2 through 5 of his brief are without merit. Under modern federal jurisprudence, respondent can and must plead into the case all existing claims against the same party arising out of the same transaction or occurrence. The District Courts have full power and authority to determine all the issues and to grant all the relief respondent could obtain in any action before a state court. Therefore, respondent is not deprived of any

right, privilege or advantage in trying this matter before a District Court.

The federal courts and the profession should be told again by this Court that the liberal purposes of the federal procedural statutes and rules must be liberally applied to permit litigants to present their cases, rather than being told that the courts themselves do not know clearly where cases should be brought, and that their cases should be tried piecemeal in two different court systems as respondents contend.

This case presents an opportunity to lay at rest one of the ghosts of antiquated procedure which persist in haunting our judicial system.

CONCLUSION

Petitioner respectfully requests this Honorable Court to grant the Petition for a Writ of Certiorari to issue to the Court of Appeals for the Sixth Circuit because of the importance to both the Bench and Bar of the issue of jurisdiction of the Federal Courts.

Respectfully submitted,

PETER P. PRICE,
Preld Building,
2336 Eastern Avenue, S. E.,
Grand Rapids 7, Michigan.

Of Counsel:

ROBERT C. C. HEANEY,
McCOBB & HEANEY,
900 Michigan Trust Building,
Grand Rapids 2, Michigan;

J. ROGER WOLLENBERG,
WILMER, CUTLER & PICKERING,
Transportation Bldg., 815 17th Street, N.W.,
Washington 6, D.C.;

PRICE & HENEVELD,
Preld Building, 2336 Eastern Ave., S.E.,
Grand Rapids 7, Michigan.